MULTIMEDIA UNIVERSITY

STUDENT ID NO

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FINAL EXAMINATION

TRIMESTER 3, 2015/2016

BMR3134 – STRATEGIC MARKETING

(All sections / Groups)

31 MAY 2016
2.30 p.m – 4.30 p.m
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 4 pages with 4 Questions only.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please provide your answers in the Answer Booklet provided.

ANSWER ALL QUESTIONS

The Melamine Crisis and White Rabbit Candy

China has had problems in its own country with bad milk powder in the past. In 2004, 171 babies were hospitalized and more than a dozen died after consuming counterfeit milk powder that had little or no nutritional value. At the time, officials initiated a crackdown that resulted in hundreds of arrests of officials and businesspeople who had allowed the sale of the formula. China's latest food safety case attracted nationwide attention on September 10, 2008, when it was reported that more than a dozen babies in northwest Gansu province had developed kidney stones after drinking a milk formula produced by Sanlu Group.

Who was Responsible?

Shijiazhuang Sanlu Group Co., is a diary company based in Hebei province. The New Zealand giant dairy cooperative Fonterra Co-operative Group owns a 43 percent stake in Sanlu. Sanlu was suspected to be responsible for producing the contaminated milk formula, and there were complaints as early as March 2008. Investigations confirmed that a batch of its milk formula made before August 6, 2008 had been contaminated with melamine. Even though Sanlu announced a recall of all baby milk powder produced before August 6, they failed to report the matter to the public and higher authorities. The issue was only made public after the New Zealand government's whistle blowing.

What is Melamine?

Used in plastics and cleaning products, melamine is a chemical that can cause kidney stones, and eventually kidney failure, if indigested. It was also found in pet food exported from China to the United States in 2007, resulting in sickening or killing thousands of pets after animals ate pet food containing a Chinese-made ingredient tainted with Melamine. Melamine, a nitrogen-based compound used in wheat flour and other products, was used to make these products appear to contain more protein. As proteins are the only source to nitrogen in food, the nitrogen level in foods will determine the amount of protein the food contains. With the addition of melamine, the apparently higher protein content allowed foods to be marketed at a higher price.

As mentioned, melamine can result in kidney stones, crystalline masses that, although generally treatable, can cause extremely painful blockages. Kidney stones are relatively uncommon in infants though they often occur in premature babies. Melamine can also cause urinary problems and bladder stones, and may also cause cancer, according to Dr. Leong Lai Peng, a senior lecturer for the food science and technology program at the National University of Singapore.

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The Victims

By September 22, 2008, four children had died and 12,892 others were warded for kidney problems in China. The first suspected victim outside mainland China was a Hong Kong girl found with a kidney stone. To date, the melamine crisis has affected more than 54,000 children worldwide.

What the Singapore Government Has Done?

In Singapore, the Agri-Food and Veterinary Authority (AVA) expanded its checks on milk and dairy products from China for melamine contamination. According to the AVA, there are 19 such products sold here and some of these include well-known products such as Magnum, Meiji and Walls ice cream, and Monmilk and Yili milk. So far, the Meng Niu Group, the producer of Monmilk, and the Yili Group, the producer of Yili Milk, have been implicated in the scandal in China. A sample of Yili's Natural Choice Yogurt Flavoured Ice Bar with Real Fruit was found to be tainted with melamine, and the AVA advised retailers to remove it from shelves. Customers who had bought the ice bar were advised to either dispose of it or return it.

For the safety of Singaporeans and to put the worried consumers' minds at ease, the AVA required that imported infant formula products be accompanied by a health certificate, as well as a laboratory test report at the time of import to show that the products complied with safety standards. The largest supermarket chain in Singapore, Fairprice, went one step further and requested for written confirmation from suppliers that their products are safe for consumption, and instructed their suppliers of all dairy products to provide verification that their product is free of melamine.

Some of the products in Singapore that were found to be tainted with melamine include Dutch Lady Strawberry and Banana Flavoured Milk, Dutch Lady Honeydew Flavoured Milk, Silang House of Steamed Potato-Potato Crackers, Xu Fu Ji Puffed Rice Rolls-Butter Corn and Cheese Flavour, and White Rabbit Creamy Candy.

WHITE RABBIT CREAMY CANDY

The first White Rabbit candy was introduced in 1943 with its creamy texture symbolizing Shanghai's luxurious lifestyle. It is owned by Shanghai company Guan Sheng Yuan Food Limited and is one of China's most beloved brands.

White Rabbit candy is known as a 'laozihao' or timehonored label, and had some degree of government support. It has been in the market for many years and is sold in China, where it is a well-known household brand, as well as in more than 50 countries, including Finland and the United States. The Singapore importer of White Rabbit candy, Hock Lam, estimated losses of between S$30,000 and S$50,000 from the suspension of sales in Singapore but said that this loss would not make a huge impact on sales as White Rabbit candy made up only 10 percent of the firm's revenue; sales of White Rabbit candy had

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been declining over the years due to increased competition from the wide range of candy available in the market.

Continued Popularity of White Rabbit Candy

Even in the midst of competition from a wide range of candy available in the market, White Rabbit candy remained a personal favourite for some. For Madam Khoo Chay Hiang and many others like her, White Rabbit candy brings with it lot of nostalgia. A 63 years –old odd-job labourer, Madam Khoo has been eating at least 10 pieces of White Rabbit candy a day for the past 30 years. White Rabbit candy was said to have been Chinese Premier Zhou Enlai's favourite sweet, which he presented to U.S. President Richard Nixon when he made his landmark visit to Beijing in 1972.

Product Differentiation

White Rabbit candy is not like other candy found in the market. It differentiates itself with its creamy content. With seven of the small nougat-like rectangles equal to a cup of milk; it was a perfect substitute for milk when milk was a rarity in China. Having been around for generations and a popular Chinese New Year treat, this chewy, milk based candy is wrapped with an edible rice paper that has a cartoon of a smiling rabbit on it.

Effect of Melamine on White Rabbit Candy

According to Dr. Chua Sin Bin, AVA's CEO, a child would have to consume 24 pieces of White Rabbit candy every day over a long period of time before developing melamine-related health problems. "It's not likely that anybody would be consuming these products at this kind of level every day, all his life," he says, adding that even bingeing on the tainted dairy products occasionally would not be dangerous because the concentration of melamine is still well below toxic levels. Hence, consumers were advised not to worry even though they had previously consumed tainted dairy products.

Johnson and Johson's Tylenol Crisis: A Comparison

The White Rabbit scare is similar to the Tylenol crisis faced by Johnson & Johnson in 1982, where Tylenol, a drug produced by the company, was found to be laced with cyanide, resulting in seven deaths. This caused the market value of the company to fall by US$1 billion. When the same situation happened in 1986, Johnson & Johnson acted quickly by recalling Tylenol from every outlet. They knew that they had to provide better product protection before the product could be re-established on the shelves. They demonstrated complete openness on the crisis and immediately sought to remove any source of danger, preventing the spread of the contamination. Measures were taken to prevent a recurrence of the problem, and these proved that the company was prepared to bear the short-term losses in the name of consumer safely. Thus, Johnson & Johnson earned the trust of their customers, which explains the success the company is still enjoying today.

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Reaction to the Crisis

Three weeks after a sales halt, White Rabbit candy was back in production after passing Shanghai quality supervision administration tests. To show that the product was free of melamine, White Rabbit's producer, Guan Sheng Yuan Food Limited, placed a green label on the candy's packaging. Other than that, Guan Sheng Yuan has not come up with any other promotional activities to regain the trust of its customers.

Source : Kerin, Hartley, Rudelius, Geok, Marketing in Asia, McGraw Hill (2009)

QUESTION 1

Who are responsible for food safety? How will food safety concerns affect consumer buying behaviour?

(20 marks)

QUESTION 2

How do manufacturers of food products ensure the safety of their products? Should they be concerned about such issues?

(20 marks)

QUESTION 3

What effect does the country of origin have on marketing? How does this effect work for American, Japanese, Korean, Malaysian and Indian companies and their products?

(30 marks)

QUESTION 4

How does Guan Sheng Yuan Food Limited develop brand loyalty and preference for White Rabbit candy? How is White Rabbit candy affected by the melamine crisis?

(30 marks)

(Total: 100 marks)

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